

Message Text

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PAGE 01 MUSCAT 01593 260727Z
ACTION NEA-10

INFO OCT-01 ISO-00 AF-08 ARA-06 EA-07 EUR-12 IO-13 FEA-01
ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00
EB-07 FPC-01 H-01 INR-07 INT-05 L-03 NSAE-00 NSC-05
OMB-01 PM-04 USIA-06 OES-06 SP-02 SS-15 STR-04
TRSE-00 ACDA-07 PRS-01 /145 W
-----260739Z 124356 /13

R 260645Z DEC QONY
FM AMEMBASSY MUSCAT
TO SECSTATE WASHDC 2775
INFO AMEMBASSY ABU DHABI
AMCONSUL ALGIERS
AMEMBASSY CARACAS
AMCONSUL DHAHRAN
AMEMBASSY JAKARTA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LAGOS
AMEMBASSY LIBREVILLE
AMEMBASSY LONDON
AMEMBASSY MANAMA
AMEMBASSY TEHRAN
AMEMBASSY TRIPOLI
AMEMBASSY DOHA

C O N F I D E N T I A L MUSCAT 1593

E.O. 11652: GDS
TAGS: OPEC ENRG MU
SUBJECT: OMANIS UNCERTAIN AFTER OPEC DECISION

1. THE OMANGOV IS NOW DEBATING WHETHER TO FOLLOW THE OPEC MAJORITY
OR
TO ADHERE TO THE SAUDI-UAЕ PRICING PATTERN. SINCE OMAN'S OIL PRO-
DUCTION WILL START DECLINING NEXT YEAR, MOST OMANIS WOULD LIKE
TO RAISEPRICES TO THE MAXIMUM THAT THE WORLD MARKET WOULD BEAR.
HOWEVER, MATCHING THE PRICE RISE SET BY OPEC MAJORITY MIGHT NOT
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BE POSSIBLE; OMANI CRUDE IS SOMEWHAT LIGHTER AND SLIGHTLY BETTER
QUALITY THAN SAUDI CRUDE, BUT NOT ENOUGH TO ESTABLISH A 5 PER-
CENTAGE POINT PREMIUM. WE EXPECT THAT THE OMANIS WILL STRAY
VERYL LITTLE, IF AT ALL, FROM SAUDI AND UAE PRICING PRACTICE,

GIVEN OMAN'S INCREASING DEPENDENCE ON EXTERNAL ASSISTANCE FROM THESE COUNTRIES.

2. IN ADDITION TO THE GOVERNMENT'S INDECISION, A COMPLICATING FACTOR IS COMPETITION BETWEEN JAPANESE REFINERS (JAPAN ACCOUNTS FOR 40 PERCENT OF OMAN'S OIL EXPORTS) AND SHELL OVER PURCHASES OF OMANI CRUDE, WHICH MIGHT TEND TO RAISE OMANI PRICES HIGHER THAN OTHERWISE EXPECTED. C. ITOHWN WHICH NOW PURCHASES 50,000 BARRELS A DAY DIRECTLY FROM OMANGOV, IS TRYING TO INCREASE ITS SHARE TO 80,000 BARRELS A DAY. SHELL, ON THE OTHER HAND, IS TRYING TO SHRINK DIRECT SALES TO GULF OIL AND THE JAPANESE. SHELL, AS THE MAJOR PRIVATE SHAREHOLDER IN PETROLEUM DEVELOPMENT (OMAN) AND THE PRIME MARKETER OF OMANI CRUDE, WANTS TO ENSURE THAT ITS PERCENTAGE OF OMANI BUY-BACK OIL DOES NOT DECLINE ALONG WITH OVERALL OUTPUT.
WOLLE

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NNN

*** Current Handling Restrictions *** n/a

*** Current Classification *** CONFIDENTIAL

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CARACAS
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